

Message Text

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PAGE 01 STATE 231596

62

ORIGIN EB-11

INFO OCT-01 EUR-25 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00

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TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03 OMB-01 /178 R

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FM SECSTATE WASHDC

TO AMEMBASSY ROME

INFO USMISSION EC BRUSSELS

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

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AMEMBASSY OTTAWA

AMEMBASSY HELSINKI

AMEMBASSY STOCKHOLM

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ETRD, GATT, EEC, IT

SUBJECT: ARTICLE XXIV:6 NEGOTIATIONS - KRAFT PAPER

REF: (A) ROME 12685; (B) ROME 12264

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PAGE 02 STATE 231596

1. SUMMARY - USG DOES NOT INTEND TO COMMENT ON KRAFT PAPER PROPOSALS (REF A) EXCEPT IN CONTEXT OF OFFICIAL EC OVER-ALL OFFER. IT WOULD BE APPROPRIATE HOWEVER FOR EMBASSY TO EXPLORE WITH ITALIAN OFFICIALS FACTUAL BASIS THEIR CONCERN (REF B) OVER POSSIBLE MANIPULATION BY NORTH AMERICAN PRODUCERS TO INCREASE PRICE OF WOOD PULP THAT ITALY IMPORTS FOR PAPER PRODUCTION AS IT RELATES SPECIFICALLY TO KRAFT PAPER AND LINERBOARD. FACTS AVAILABLE HERE LEAD US TO BELIEVE ITALY PRODUCES ONLY SMALL AMOUNTS OF KRAFT OF ALL KINDS; ITS IMPORTS OF UNBLEACHED SULPHATE PULP USED IN KRAFT PRODUCTION ALSO SMALL WITH LESS THAN ONE-FIFTH SUPPLIED BY US AND CANADA; AND LINERBOARD PRODUCTION ECONOMIC ONLY IN INTEGRATED MILLS. HENCE WE FAIL TO UNDERSTAND ITALIAN CONCERN OVER NORTH AMERICAN PULP PRICE VIS-A-VIS KRAFT PAPER AND LINERBOARD.

2. ACCORDING TO OECD STATISTICS (SERIES C) FOR 1971 ITALY PRODUCED 759,000 METRIC TONS (MT) OF WOODPULP FOR PAPER AND PAPERBOARD MAKING AND IMPORTED 954,200 METRIC TONS

VALUED AT \$161.6 MILLION, WITH AVERAGE VALUE OF \$169.36. PRINCIPAL SUPPLIERS WERE SWEDEN, 257,100 MT; CANADA, 201,900 MT, FINLAND, 134,000 MT; AND US, 121,800 MT.

3. ONLY 14 PERCENT BY VOLUME (137,200 MT) OF ITALIAN IMPORTS OF PAPERMAKING PULP CONSISTED OF UNBLEACHED SULPHATE WOOD PULP, THE KIND USED IN PRODUCTION OF KRAFT PAPERS, CONTAINER BOARD, KRAFT PAPERBOARD. SWEDEN AND FINLAND SUPPLIED 54 PERCENT OF ITALIAN IMPORTS OF UNBLEACHED SULPHATE WITH AVERAGE VALUES OF \$165.39 AND \$160.37 RESPECTIVELY; US AND CANADA SUPPLIED ONLY 17 PERCENT WITH AVERAGE VALUES OF \$162.00 AND \$172.77 RESPECTIVELY.

4. OECD971 STATISTICS SHOW ITALY PRODUCED 3.3 MILLION MT OF PAPER AND BOARD OF ALL KINDS; KRAFT LINER, KRAFT SACK AND OTHER KRAFT WRAPPING PAPER ACCOUNTED FOR ONLY 169,000 MT OR 5 PERCENT OF TOTAL. THERE MAY BE SOME ADDITIONAL PRODUCTION OF KRAFT PAPER WHICH WE HAVE NOT LIMITED OFFICIAL USE

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PAGE 03 STATE 231596

BEEN ABLE TO IDENTIFY.

5. ITALIAN IMPORTS OF KRAFT OF ALL KINDS TOTALLED 309,500 MT. US SUPPLIED 190,400 MT WITH AVERAGE VALUE OF \$138.95, SIGNIFICANTLY BELOW AVERAGE OF \$156.09 FROM ALL SOURCES.

6. ACCORDING TO PAPER EXPERTS IN US GOVERNMENT, KRAFT LINERBOARD (WHICH IS MAJOR US EXPORT AND PRODUCT FOR WHICH

US GOVERNMENT SEEKING IMPROVED COMMUNITY IMPORT TREATMENT) IS PRODUCED ECONOMICALLY ONLY IN INTEGRATED MILLS. THEY DOUBT ECONOMIC FEASIBILITY OF IMPORTING UNBLEACHED SULPHATE PULP TO PRODUCE KRAFT LINERBOARD.

7. ABOVE LEADS US TO WONDER WHETHER ITALIANS TAKING A THESIS THAT MIGHT BE ARGUED GENERALLY (NEED TO MAINTAIN PROTECTION ON HIGHLY PROCESSED FINISHED PRODUCTS LEST INCREASED PULP PRICES MAKE ITALIAN PRODUCERS NON-COMPETITIVE) AND APPLYING IT TO KRAFT PAPER AND LINERBOARD WHERE IT APPEARS NOT TO BE RELEVANT. MORE THAN THREE-QUARTERS OF ITALIAN IMPORTS OF PULP FOR PAPERMAKING CONSISTED OF BLEACHED AND SEMI-BLEACHED SULPHATE, THE KIND USED IN PRODUCTION OF FINE PAPERS AND BOARDS USED IN FOOD PACKAGING, AND SULPHITE PULP, THE KIND USED IN MAKING PRINTING AND WRITING PAPERS AND NEWSPRINT. THESE PULPS ARE MORE EXPENSIVE GENERALLY THAN UNBLEACHED SULPHATE AND SOME PAPERS MADE FROM THEM ARE VERY HIGH PRICED. AREN'T THESE THE QUALITIES OF PULP AND PAPER ITALIANS ARE CONCERNED ABOUT IN PULP PRICE/PAPER PRODUCTION RELATIONSHIP? OR IS THEIR CONCERN COMPETITIVE PRICE OF US KRAFT.

8.ACTION REQUESTED

UNLESS EMBASSY PERCEIVES OBJECTION, IT IS REQUESTED DISCUSS FURTHER BASIS ITALIAN CONCERN AVOIDING COMMENT ON KRAFT PAPER PROPOSALS UNDER CONSIDERATION.

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Message Attributes

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